

# CITY OF NEWPORT NEWS

## OFFICE OF THE CITY MANAGER

October 25, 2016

**TO:** The Honorable City Council

**FROM:** City Manager

**SUBJECT:** City Manager's Recommended Capital Improvements Plan (CIP)

We are pleased to submit the City Manager Recommended FY 2018 – FY 2022 Capital Improvements Plan (CIP) for City Council consideration. As you know, each year the CIP is updated and a revised, multi-year City Manager Recommended CIP is submitted to City Council by November 1.

The CIP is the City's five-year plan that establishes both a schedule and funding strategy for high-priority capital projects and equipment purchases. Once the CIP is adopted by City Council, it becomes a schedule of capital spending commitments for the initial year (FY 2018) and a plan for capital investments for the subsequent four years (FY 2019 – FY 2022). The annual review and update of the CIP allows for adjustments to previously approved projects based on new information regarding timing, funding requirements and changing priorities. This process enables City Council to undertake a comprehensive review of the City's capital spending needs on a regular basis. Furthermore, preparation of the CIP:

- allows for the systematic preservation, rehabilitation and improvement of capital assets
- relates public facilities and investments with private development and redevelopment efforts
- fosters the cooperation and coordination of the interrelated capital improvement activities of City departments
- provides a necessary connection between the capital plan and the operating budget
- informs the public of future needs and projects
- enhances our ability to maintain or improve the City's credit rating

### *CIP Development*

The CIP evaluation team, comprised of directors and staff from the departments of Budget and Evaluation, Development, Engineering, Parks, Recreation and Tourism, Planning, Public Works, Juvenile Services and Vehicle Services was assembled in September to evaluate each of the capital requests submitted for CIP consideration. The team analyzed and prioritized each request and relied upon several criteria to guide the evaluation of requests, including: (1) legal and/or mandated requirement; (2) prior and/or ongoing commitment; (3) criticality to City operations; (4) necessity due to health or safety concerns; (5) impact on citizens; (6) positive return on investment; (7) fiscal impact; and (8) consistency with Strategic Priorities.

Again this year at the outset of deliberations, the team was challenged to provide advice on the development of the capital plan to support our commitment to manage effectively the City's debt capacity and limit the burden of debt service on the Operating Budget. In order to best manage our current and projected financial resources, there is limited capacity to assume increasing levels of debt service without requiring significant reductions elsewhere in the Operating Budget.

The effort of the team provided input for my decisions contained in the City Manager Recommended CIP. The Recommended Plan includes funding for what we believe are the most critical capital investments for the City, while remaining fiscally prudent and adhering to the City's Capital Financing and Debt Management Policies.

### *Financial Impact*

The Recommended CIP has been developed in accordance with our Capital Financing and Debt Management Policies adopted in January 2007. With regard to capital spending, these policies are designed to achieve and maintain three specific objectives. The first objective is to not exceed the City's debt burden ratio (outstanding debt to total assessed valuation) of 3%. The second objective is to fund a portion of the CIP with cash; specifically, to use cash capital to finance a minimum of 20% of annual CIP expenditures (cash capital and general obligation bond funded). The level of cash capital detailed in the Recommended Plan satisfies the 20% cash capital minimum in each year of the Plan, and averages 22.3% cash capital for the entire five-year period. The third

objective is to ensure that new bond issues and refundings are structured in a manner that 30% of outstanding debt is repaid within five years and 60% within ten years. The Recommended Plan submitted for your review satisfies each of these objectives.

Prior to the establishment of the policies in 2007, the City had in place a requirement that debt service in any one year could not exceed 9.5% of combined General Fund and School Fund Revenues. Based on projected borrowing needs for this proposed CIP, debt service obligations will remain below this threshold.

Within the parameters detailed, the Recommended CIP has been developed to include what I believe are the City's highest priority capital projects. A summary of the Recommended CIP is provided below.

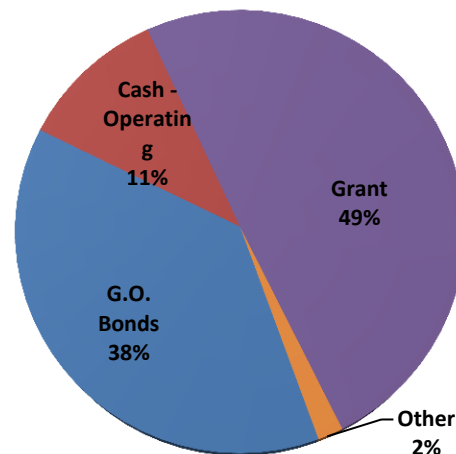
### **General Fund Supported Projects**

#### *Funding*

The Recommended General Fund Supported CIP for FY 2018 through FY 2022 totals \$416,737,000 from all sources of funds (operating budget cash capital, general obligation bonds, grants, and other funds). Of this total, 37.8% will be financed through the issuance of general obligation bonds; 10.9% will be financed with cash capital (this percentage differs from the 22.3% figure above due to the inclusion of the significant amount of grant and other funding included in the updated CIP); 49.5% will be financed with grant funds; and 1.8% will be financed through other sources of funds (e.g. developer participation).

*Recommended General Fund Supported CIP (5-Year Totals)  
Breakdown by Funding Source*

GF CIP by Funding Source	
General Obligation Bonds	\$157,610,000
Cash Capital – Operating	45,223,000
Grant	206,404,000
Other	7,500,000
<b>Total</b>	<b>\$416,737,000</b>

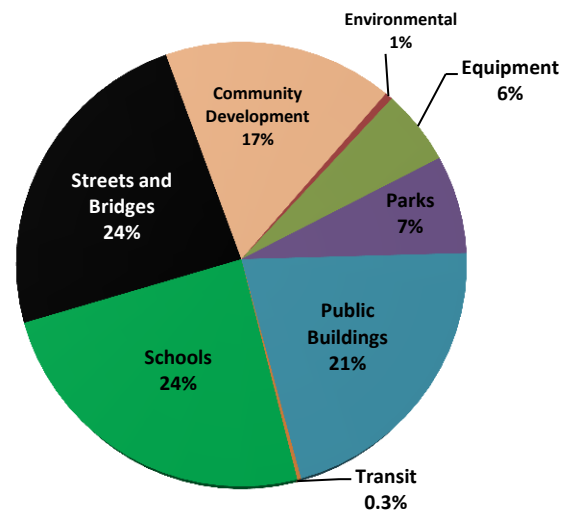


### *Category Spending*

Eighty-seven percent (87%) of the \$202.8 million General Fund Recommended Plan supported by Cash Capital and General Obligation Bonds is related to four categories of projects: School Division – 24.3%; Streets and Bridges – 24.0 %; Public Buildings – 21.3%; and Community Development – 16.9%.

*Recommended General Fund Cash Capital and GOB Supported CIP  
(5-Year Totals)  
Breakdown by CIP Category*

GF by CIP Category (Cash Capital and GOB)	
School Division	\$49,303,655
Streets and Bridges	48,767,425
Public Buildings	43,133,920
Community Development	34,190,000
Parks and Recreation	14,555,000
Equipment	11,208,000
Environmental	1,125,000
Transit	550,000
<b>Total</b>	<b>\$202,833,000</b>



### *Category Highlights*

#### **School Division**

A total of \$49,303,655 is allocated for continued facility and equipment renovation and improvement, design of the new Huntington Middle School, and purchase of school buses. The total amount in this category reflects the addition of \$6.9 million of project funding discussed during the October 11 City Council Work Session.

#### **Streets and Bridges**

A total of \$117,544,942 is identified for projects in the Streets and Bridges category including street reconstruction and resurfacing, concrete replacement, burial of utilities, bridge replacements, and pedestrian, road safety, local roadway, streetlight, traffic and intersection improvements.

Specifically identified projects include the construction of Atkinson Boulevard, continued streetscape and landscape improvements along the lower Jefferson Avenue corridor, replacement of the Route 105 Bridge over the reservoir, programmed repairs to bridges and culverts throughout the City, and construction of Independence Boulevard, Washington Avenue streetscape and Campbell Road improvements. Atkinson Boulevard has been a critical component of City planning efforts for decades to serve as a connector road in the northern portion of the City between Warwick Boulevard and Jefferson Avenue. Regional Surface Transportation Program and State Revenue Sharing funds have been secured for this project and comprises the majority of funds required to complete Atkinson Boulevard. Funds have also been recommended to provide the City match required for projects included as part of our State Revenue Sharing application. We have also increased the resurfacing budget by \$500,000 as we need to get back to previous levels prior to the recession time cuts. We are falling behind on the condition of our streets.

### **Public Buildings**

A total of \$43,133,920 is identified in the Public Buildings category, with substantial funds allocated for the continued renovation and repair (e.g. HVAC, roof replacement) of City buildings and facilities (including parking). Specifically identified projects include the purchase of emergency generators to provide electrical backup at critical facilities and traffic intersections throughout the City, replacement of Fire Station 11 (which will continue to serve the Richneck/Colony Pines corridor and the future Huntington Pointe development), the replacement of fuel tanks at the City Hall fueling location, improvements to the General District Courts office, and the design and construction of a new Grissom Library and the aquatic facility at the Denbigh Community Center.

The Public Buildings category includes investments to address critical security and life-safety concerns. Funding is recommended to allow for the integrated and comprehensive management and replacement of camera and related security equipment at public buildings throughout the City. Investments proposed for the Public Safety Building and Jail Annex will improve safety and security for staff and those in custody and will replace antiquated equipment.

Funding is identified to address employee work space and client meeting area deficiencies at both Rouse Tower and the South Morrison Family Education Center. Specifically at Rouse Tower, funding will allow for space planning and design to determine the need for any future renovation work. Finally, funding is identified to allow for preliminary engineering associated with the replacement of aging municipal buildings in the northern part of the City (including Fire Station 9 and the North Police Precinct).

### **Community Development**

A total of \$44,052,500 is recommended in Community Development, with focus on development and redevelopment efforts in the Southeast Community and the Upper Warwick Boulevard/Denbigh area. Anticipated activities include the acquisition of strategically located properties, streetscape and landscape enhancements to improve the visual aesthetic along major corridors in each area, and other targeted redevelopment and rehabilitation efforts. Funding recommended to encourage and support future economic development opportunities provides indication that we remain committed to our efforts to spur continued economic growth throughout the City. Downtown Initiatives is identified specifically to provide a source of funds dedicated to support and encourage development and redevelopment in the Downtown area. Funding for City Center at Oyster Point Projects will provide for public space and infrastructure enhancements and reconfiguration to support the continued transition of City Center into a lively entertainment district. The Tech Center at Oyster Point/Jefferson Lab represents a major development within the City and will require investment in public infrastructure.

### **Parks and Recreation**

A total of \$15,455,000 is recommended for efforts including the continued maintenance and renovation of recreational and park facilities, to provide matching funds for various Historic Preservation grants, for the planned construction of Stoney Run Park, for landscape improvements throughout the City, and to construct a stadium tennis court at Huntington Park.

Funding for property acquisition associated with the Stoney Run Greenway project remains in the final year of the Recommended Plan. This timing will allow for the completion of planned stormwater drainage

improvements prior to implementation of the Greenway project, which includes construction of trails and public accesses on City-owned property along the Stoney Run watershed between Old Courthouse Way and Denbigh Boulevard.

The renovation of the interior of the Lee Hall Depot is recommended and will complete the restoration project. Prior phases have included the relocation of the Depot and exterior renovation. Dredging proposed for the boat channels at Huntington Park, Leeward Marina, and Peterson's Yacht Basin will address conditions that regularly prevent boaters from launching at low tide. Replacement of the Deer Park Ranger Station and restroom facility will provide more adequate service for park visitors. The repair and replacement of park roadways will address maintenance, safety, access, and aesthetic concerns at parks and recreational facilities throughout the City that have faced recent rapid decline.

Funding is recommended for two projects that have been identified as critical since the adoption of the FY 2017 CIP. A systematic program will be established to test, replace, and upgrade (including the ability to control lighting from a remote location) lighting equipment and light poles at athletic fields throughout the City to ensure participant safety and improve efficiency and energy management. The Golf Course Irrigation System Replacement project will install a new irrigation system on the Cardinal Course and replaces the renovation project included as part of the 2017 CIP.

### **Equipment**

A total of \$11,458,000 is proposed for the purchase and replacement of public safety and technology equipment. Funding will continue our fire vehicle and apparatus replacement program, replace Police Department in-vehicle tablets, purchase a replacement bomb robot, and replace self-contained breathing apparatus utilized by our firefighters.

Improvement of data center facilities and the upgrade of the legacy telephone system are recommended. Continued migration from our legacy phone system to Voice over IP technology will provide expanded voice, data, video, and digital presence services (among others) and will allow for greater system management efficiency by leveraging existing network resources and staff capabilities. Investment in the data centers at

City Hall and Operations Center will increase redundancy and data backup capacity and allow for fully dependable climate control. Proposed air conditioning improvements will increase the ability to maintain uninterrupted operation of our servers, infrastructure, and other equipment that support departmental functions and delivery of City services.

### **Environmental**

The Recommended Plan includes \$1,125,000 for environmental response, remediation and assessment activities and the evaluation of air quality and heating, ventilation, and air conditioning systems that serve City facilities. Funding is also included to support investments related to our environmental sustainability goals.

### **Transit**

The Recommended Plan allocates \$134,663,983 for the Transit category. The majority of funds are anticipated to be provided from State and Federal grants for the planning, design and construction of a proposed Bus Rapid Transit system to improve public transportation mobility and efficiency throughout the City. Grant funding is also identified to complete construction of the Newport News Transportation Center to be located along Bland Boulevard. Finally, the installation of sidewalks and ramps at our HRT bus stops will continue our efforts to improve accessibility for our citizens and bring these locations into compliance with ADA requirements.

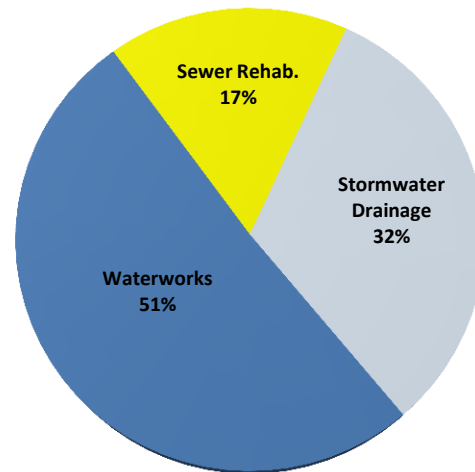
### **User-Fee Fund Projects**

The Recommended CIP includes \$161.1 million in capital spending for the User-Fee Funds. Of this amount, 51% is related to Waterworks, 32% to Stormwater Drainage, and 17% to Sewer Rehabilitations. Substantial investment is identified in Sewer Rehabilitations and Stormwater Drainage to implement corrective actions required under both the City's Sanitary Sewer Consent Order (administered by the Virginia Department of Environmental Quality) and Federal regulations to improve the water quality of the Chesapeake Bay (U.S. Environmental Protection Agency).



*Recommended Self-Supporting Funds CIP (5-Year Totals)  
Breakdown by CIP Category/Fund*

User-Fee Funds	
Waterworks	\$82,160,000
Stormwater Drainage	51,566,000
Sewer Rehabilitations	27,343,000
<b>Total</b>	<b>\$161,069,000</b>



*Impact on User Fees*

Projects totaling \$82.2 million recommended in the Waterworks category will improve facilities and infrastructure throughout the regional system and will be funded entirely from water system revenue. The largest project in the category will increase operational efficiency and effectiveness through the installation of equipment and infrastructure to allow for remote monitoring and control of water meters and water service.

We are recommending that \$27.3 million be invested to continue funding for sewer system rehabilitations and repairs. The Sewer User Fee was last increased in FY 2017 from \$3.27/100 cubic feet per month to \$3.37/100 cubic feet per month. A fixed Sewer Monthly Service Fee of \$4 was established in Fiscal Year 2015 and supports capital investment in the sewer system. Dependent upon the level of investment required to respond to Federal and State mandates, adjustment to the Sewer User Fee may be required during the next 5-year period.

The Recommended CIP includes \$51.6 million over the next five years for Stormwater Drainage projects. The Plan includes projects required to address ongoing flooding problems, to provide for regular and routine maintenance of our stormwater facilities, and to respond to Federal stormwater management regulations. The Stormwater Management Fee

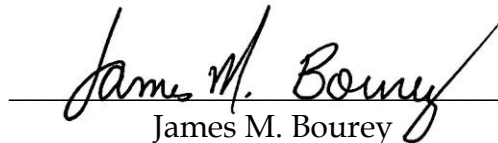
was last increased in FY 2017 from \$10.75/ERU to \$11.25/ERU to fund the continued maintenance, repair, and improvement of the City's stormwater system. The future rate may be impacted by Federal regulations.

*Conclusion*

I believe this Recommended CIP sets forth a strategic plan and achieves a responsible balance between our commitment to limit City borrowing and the need to advance critical capital projects and purchases. The capital plan reflects citywide priorities, with each project supporting our strategic initiatives or addressing a legally required and/or mandated effort.

As with any budget with limited resources, there were difficult choices to be made in the development of the Recommended CIP. With the objective to maintain or reduce the expenditure burden created by debt service, some desirable projects had to be delayed beyond the timeframe of this CIP to satisfy the financial objectives that were established. Even with these constraints, the Recommended CIP represents a balanced and achievable long-term capital approach that addresses many of our Strategic Priorities. I want to acknowledge the CIP Review Committee members and the staff of the Department of Budget and Evaluation for their diligence during this process.

Please contact me directly with any questions or concerns regarding this transmittal letter or the FY 2018 City Manager Capital Improvements Plan. Time will be scheduled during the November and December City Council Work Sessions to provide specific project details, to solicit your input on the CIP, and to address any issues or concerns that may arise during your review of the capital plan. We look forward to working with you over the next several weeks to review our capital needs through FY 2022 and formulate a spending plan that is fiscally sound.

  
James M. Bourey

JMB:CP:wmp